3-1959

Farm Outlook

Iowa Farm Science Editorial Board

Farm Outlook...

THE 1958 recession passed in Iowa leaving few aftereffects. This was the boon of being an agricultural and light-industry state rather than one of heavy industry. As everywhere, the slow-down allowed deadwood to be cut out of commercial concerns and started a new drive for efficient operation.

For the nation as a whole, most economic indicators still point to recovery. But employment lags—1958 ended with about 6 percent of the civilian labor force idle. Relative to employment, the weak sector is expenditures for new plant and equipment. Here, though slowly picking up, the 1959 first-quarter rate, in terms of annual expenditure, was only about 81 percent of the high third quarter of 1957.

Residential construction boomed in the second half of 1958 to a 3-year high. Nationally, the starting of new nonfarm homes passed the annual rate of 1 million in May and reached 1.3 million in November. Total starts in 1958 exceeded 1957 by 10 percent, but they didn't surpass 1954 or 1955 or approach the record of 1950.

The really big news of 1958 was the extraordinary activity in the stock market. Many minor investors banded together in investment clubs which make highly diversified participation possible for small stockholders. This swells the investment funds available. The result was a phenomenal rise in stock values. By January the stock market index was poking at the "600 barrier."

Cattle . . .

Quarterly reports of cattle on feed serve as benchmarks by which to gauge upcoming deliveries to the fed cattle market. This assumes that the estimates of numbers on feed accurately reflect the true situation and that cattle feeders as a group carry out the intentions expressed by those sampled.

Though fall inshipments of feeder cattle were smaller than a year earlier, a record number of cattle have been reported on feed. On Jan. 1, 1959, the nation's feedlots were bulging with 6.5 million head. This exceeds the year before by 11 percent.

The distribution was uneven, however. Western states showed a 23-percent increase. The west north-central states neared the average increase at 10 percent. But the east north-central states lagged 1 percent behind 1958. It appears that cattle feeders near areas of production have used their advantage and, thus, throttled back the eastward flow of feeder cattle.

The larger number of cattle on feed reflects in part an earlier movement into feedlots than was the case in late 1957. Also, relatively big increases for Kansas, Nebraska and Colorado may indicate a larger-than-usual movement of cattle from wheat pastures into feedlots.

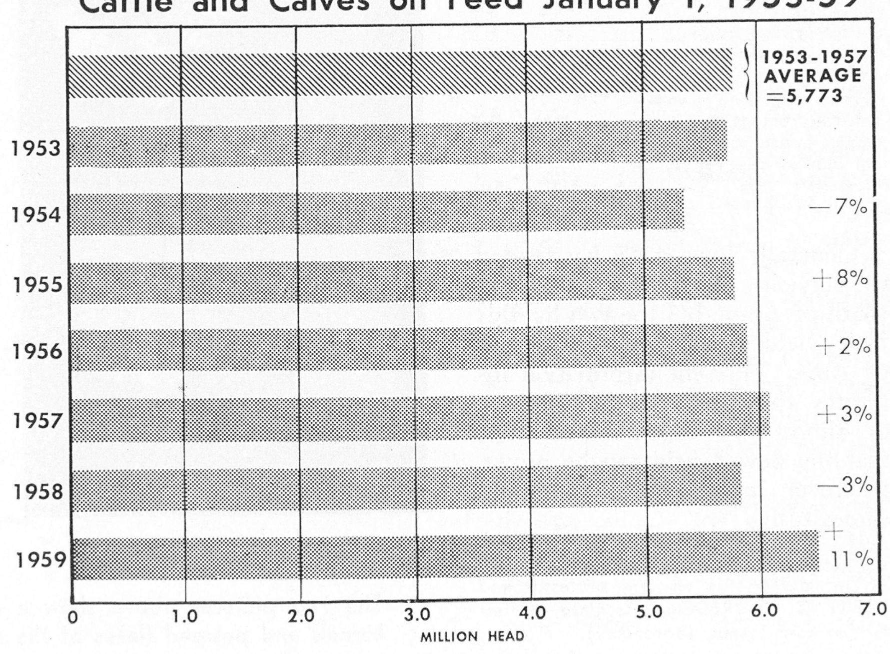
Relatively more cattle over 900 pounds and on feed 3 to 6 months leave little doubt that more and heavier fed cattle will be available for marketing in the late winter months than in the corresponding period of 1958. The surge in fed cattle prices about this time last year stimulated marketing intentions for early 1959. Conditions this year, however, are different.

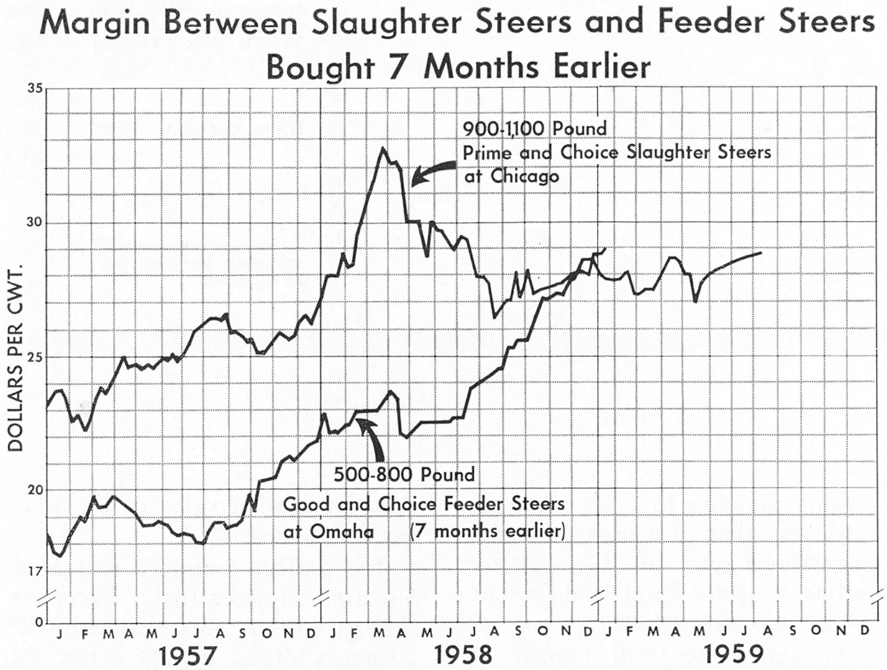
Early in 1958 there was a shortage of prime and choice cattle on major markets. This arose in part from a late movement of cattle into feedlots and in part from cattle feeders' desires to use surpluses of soft feed corn as long as weather held cold. The resulting price rises for top grades encouraged feeders to withhold fed cattle to gain profitable additional pounds.

In the first half of 1958, commercial cattle slaughter was 10 percent below the year before. But in the last half of the year and continuing into 1959, the rate of slaughter recovered to 1957 levels. In volume, most of the change during 1958 was in fed steers. Steer slaughter under federal inspection during early 1958 lagged far behind 1957, but advanced in later months to above the rate of a year earlier. Throughout 1958 heifer slaughter held much the same rate as in 1957. In contrast, 1958 cow slaughter was consistently lower than in 1957 as producers held back cows to expand their herds.

Marketings of fed cattle proceeded slowly during 1958. By late summer a backlog of heavy steers

Cattle and Calves on Feed January 1, 1953-59





had accumulated. As these moved into slaughter channels during the fall, receipts of fed steers exceeded 1957. This, with the heavier slaughter weights, boosted output of fed beef.

Part of the backlog of heavy fed steers likely spilled over into 1959. Besides this, feeder cattle over 800 pounds moved into feedlots earlier in the fall than in 1957. Total feeder cattle movements into the Corn Belt for September and October exceeded former records for these months while November-December receipts were below 1957. Thus, marketings of fed cattle in early 1959 were expected to substantially exceed those of 1958.

Prices of good and choice fed steers at Chicago and Missouri River markets in mid-January 1959 averaged $1 to $2 higher per 100 pounds than for the corresponding weeks of 1958. This gain, in the face of larger deliveries, resulted from a strong consumer demand for beef and the relative scarcity of slaughter cows and calves.

Though this supporting influence is expected in 1959 markets, we're not likely to see a repetition of the first quarter 1958 price increases because of the larger supply of fed beef. More likely will be seasonal price declines carrying late winter and spring prices below the high trend lines of 1958. But 1959 summer market prices may again rise above the values of a year earlier, because, in 1958, slowly subsiding fed cattle prices established the opposite trend.

Prices of cows and feeder cattle have been unusually high relative to prices of fed cattle. Active demand for breeding stock reduced supplies to cow markets and boosted prices. Abundant and cheap feed urged cattle feeders to bid away the price margin cushion that has separated feeder and fat cattle prices recently.

These pressures will continue to sustain cow and feeder prices high relative to fed cattle. It's possible that a seasonally strong spring demand for stockers to go on grass will put prices up slightly. But for cows and feeders generally, any price advance will be capped by the downward pressure of larger fed beef supplies in 1959.

Soybeans . . .

There are signs that this crop has reached the "second before twelve o'clock" in its Cinderella-like existence. Farm-stored 1958-crop soybeans under price support have been added to the reseal program for the first time. When the current price support loans mature on May 31, farmers in designated areas will be able to extend their farm-storage loans or to convert their purchase agreements to loans for another year.

To be eligible for reseal, the beans will have to meet the same quality and storage requirements as under the original loans. Storage payments will be earned by producers at 16 to 17 cents per bushel resealed for a full year. For soybeans redeemed earlier, storage payments will be prorated according to the time under reseal. Payment will be made at the end of the storage period.

By the end of 1958, 97.7 million bushels of soybeans were under price support loan and purchase agreements. Iowa, with 29.3 million bushels sealed, outstripped Minnesota and Illinois with 18 and 17 million bushels, respectively. Of these totals, a little more than a third was sealed in farm storage.

Pricewise the large amount of soybeans moved "under cover" by price support operations helped the market. With processing running close to capacity, the announcement of the reseal program made it appear that free beans wouldn't oversupply upcoming markets. With storage payments in sight, farmers would show less tendency to redeem as soon as prices approached loan values.

The CCC would have a chance to unload its 1957 holdings by getting the large prospective 1958-59 carryover into mothballs. Another big bean crop, however, would complicate matters.

Few other commodities have seen the full-capacity processing activity enjoyed by the soybean industry. The cause can be found in the record rates of livestock feeding. Cold winter weather and favorable hog prices helped keep demand for protein supplements high. Besides, soybean meal had a price advantage over other sources of protein.

Processing of soybeans, however, involves production of complementary products—there is the oil and the meal. Rarely are both equally demanded in their markets. Thus the record production of soybean meal in response to its active demand (disappearance running at 98 percent of production) has led to overproduction of *oil.*

Oil must be sold cheaply to clear storage. So soybean meal has to be priced high to give a satisfactory return to the processor. This explains the higher price of soybean meal this year even though beans have been selling lower than the year before.

Looking ahead, larger pig crops and more cattle on feed, along with an expected increase in the broiler hatch, looks good for soybean meal business. Lower hog prices may take some of the edge off this demand, however. The oil business may pick up with U.S. export prospects brightened by poor Mediterranean olive oil crops and "PL 480" shipments.

The availability of resealing beans should sop up a sizable portion of the expected carryover of beans this year, lending stability to the spring and summer bean market.

Hogs . . .

The USDA Livestock and Meat Situation in January reported "A considerable price impact from the larger supply of hogs will be felt. Hog prices always move up and down quickly in response to a changing supply. One reason is that when output of pork has been reduced for some time, as was true in 1957 and 1958, consumers are won back only gradually. Prices can be especially sensitive to supply in the adjustment period."

This is reason for sober thought about reducing cyclical and seasonal variations in hog supply. There's some evidence that cyclical swings are becoming wider. Producers, however, have smoothed the seasonal variation by distributing farrowings more uniformly between spring and fall and between months in these seasons.

Thus, there's less danger of an abrupt price collapse in any one season. Relative to 1959, this suggests less than the usual seasonal fluctuations once the first quarter decline in price levels out in late winter or early spring.

Though prices will remain at much lower levels than in 1958, a moderate early-summer price rise is expected. And, if producers don't exceed their intended spring farrowings, the fall price low won't dip near the disastrous level reached in December 1955.

The abundance of grain will encourage feeding hogs to heavy weights. But producers who market heavier hogs will face fairly wide discounts this year. The return for the extra gain is likely to cost more than the market value of the additional feed used.

The USDA Livestock and Meat Situation suggests that, "Except in the late spring, when seasonal price advances almost always offset the disadvantage of discount for weight, it normally is hazardous to feed to heavy weights in a lower price year such as 1959."

Thus, marketing of good meat-type hogs at more economically produced lighter weights will be good business for producers. Also over-all hog prices could be sustained slightly by a smaller total pork output from a run of appreciably lighter hogs. It won't help the corn problem.

Monthly Average Prices of Barrows and Gilts at Chicago - Successive 2 - Year Periods 1952 - 58